

Summary

Chile's medical sector is small but extremely competitive. Chile produces and exports a limited amount of medical products and, in 2005, it imported approximately US\$4.2 million in medical equipment, disposables, and instruments. Given its limited production, Chile relies upon imports to supply its growing healthcare market.

Annual increases in government spending since 1990 have raised the Chilean public healthcare budget to a record US\$3.4 billion in 2006 which also added US\$22.5 million allocated to the purchasing of 16 new mammogram machines, 151 ambulances, 23 mobile dental clinics, and refurbished operating rooms for regional hospitals.

Private health insurance spending and reimbursement in Chile is estimated at US\$1.8 billion which includes medical appointments, medicines, supplies, and sick leave.

Market Demand

Chile currently spends approximately 7% of its GDP on healthcare. This figure represents current government spending of US\$3.4 billion, or 11.2% more than the 2005 budget.

In July 2005, the Chilean government implemented a healthcare reform package aimed at reducing the inequities of the Chilean healthcare system. Chile's "Universal Access with Explicit Guarantees" (AUGE Program) ensures government-funded healthcare coverage for individuals regardless of age, class, and most importantly, their ability to pay.

AUGE coverage currently includes 40 infirmities. By July 2007, it will expand to include all 56 major illnesses and by 2009 there will be 80 diseases originally listed by the Ministry of Health. These illnesses range from cancer to respiratory disease and mental illness.

In addition to the planned AUGÉ, expansion the newly elected Bachelet administration extended free public healthcare coverage to all Chilean citizens 60 years or older. This act increased free public healthcare to more than 1.7 million Chileans.

While free public healthcare is offered to Chileans over 60 and those suffering from the illnesses covered by AUGÉ, the vast majority of Chileans are insured by either the state sponsored insurance program (FONASA) or private insurance policies called *Institutos Previsionales de Salud* (ISAPRE).

The Chilean Ministry of Health is also undergoing major improvements of most of its public hospital infrastructure and their improvement will require an investment of about US\$600 million in equipment and infrastructure for the next several years. Investment includes the construction of 22 new hospitals and 33 new medical attention units. The government will finance 18 new or refurbished hospitals, five of which will be opened to concession.

Concessions will only be applied to the construction and repairing of the hospitals and to the non-clinical areas of the hospitals such as parking, security, and catering.

Market Data

The market is divided into its three principle sub-sectors: medical equipment, medical instruments, and medical disposables.

Medical equipment includes microscopes, incubators, x-ray machines and components, and related items.

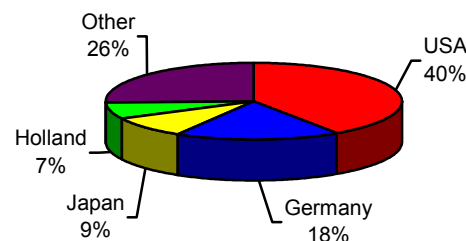
Medical Equipment
(In U.S. millions)

	2004	2005	2006 *
Total Exports	0.2	2.7	16.8
Total Imports	50.6	68.5	67.2
Imports from the U.S.	21.8	27.7	24.0

Source: Chilean Customs

*Projections are based on performance during January 2006

Medical Equipment - Market Share 2005



Medical Instruments include surgical apparatus, stethoscopes, scalpels, scissors, and related items.

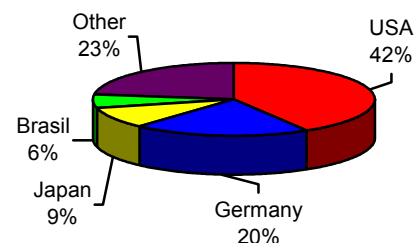
Medical Instruments
(In U.S. millions)

	2004	2005	2006 *
Total Exports	0.2	0.3	0.2
Total Imports	21.3	26.1	24.0
Imports from the U.S.	9.1	10.8	9.6

Source: Chilean Customs

*Projections are based on performance during January 2006

Medical Instruments - Market Share 2005



Medical Disposables include adhesives, syringes, rubber gloves, and related items.

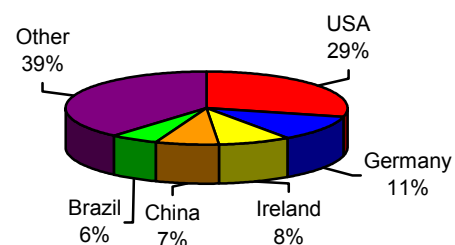
Medical Disposables
(In U.S. millions)

	2004	2005	2006
Total Exports	1.1	1.2	1.2
Total Imports	52.3	62.1	66.0
Imports from the U.S.	15.2	18.0	19.2

Source: Chilean Customs

*Projections are based on performance during January 2006

Medical Disposables - Market Shares 2005



Best Prospects

- Anesthetic instruments and appliances
- Medical, surgical and laboratory sterilizers
- Mobile dental clinics
- Mammogram Machines
- Medical and surgical instruments and appliances
- Cardiac monitors
- Electro-medical instruments and appliances
- Ultrasonic therapeutic instruments and appliances
- X-Ray equipment
- Ambulances and equipment

Key Suppliers

Due to small production capacity, Chile relies upon imports to supply its healthcare industry. In 2005, the United States enjoyed market dominance with more than a 40% market share in medical equipment imports worth over \$27.7 million dollars, followed by Germany (18%) and Japan (9%).

Prospective Buyers

Public Sector

The public health system provides healthcare to approximately 70% of Chile's population. The Ministry of Health oversees the entire public sector, which includes the following:

- The National Health Service (*Sistema Nacional de Servicios de Salud*, or SNSS)
- The Institute of Public Health (*Instituto de Salud Publica*)
- The National Health Fund (*Fondo Nacional de Salud*, or FONSASA)
- The Central Supply Agency (*Central de Abastecimiento*)
- The Superintendence of ISAPREs (regulating the *Institutos Previsionales de Salud*, privately owned health-insurance entities)

Private Sector

- 30% of the Chilean population participates in the private healthcare system
- For-profit organizations include medical centers, clinics, hospitals, laboratories, and pharmacies
- Non-profit organizations including Employers' Occupational Health Insurance Funds (mutuales) meet part of the work-related health needs of approximately two million workers, and a variety of philanthropic institutions

Leading Importers and Market Share

Medical Equipment

1. Siemens S.A. (11.45%)
2. General Electric (6.95%)
3. Hoser Ingenieria (5.51%)
4. INM Clinica San Carlos de Apoquindo (5.27%)
5. Tecnoimagen S.A (4.57%)

Medical Disposables

1. Braun Medical (7.87%)
2. Comercial Kendal Chile (6.56%)
3. Boston Scientific (5.27%)
4. General Electric (5.25%)
5. Johnson & Johnson (3.9%)

Medical Instruments

1. Stryker Corp. Chile (9.48%)
2. Alcon Laboratories Chile (8.62%)
3. Dental Laval Ltd. (3.86%)
4. Oftomed Ltd. (3.65%)
5. M-Dent Ltd. (3.52%)

* Source: Chilean Customs

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Market Entry

After the signing of the Free Trade Agreement between United States and Chile, most medical equipment imports, including those with HS codes 9018 through 9022, 3005 and 9402, pay no customs duties. However, they are subject to a 19% VAT (Value Added Tax).

Market Issues and Obstacles

The best way to enter the Chilean market is through a well-established importer. Considering the small size of the market, personal contacts play an important role when selling to end-users or to the national healthcare system. While the National Health Service is the leading purchaser of medical devices in Chile, it encourages public hospitals to make purchasing decisions on their own. Government procurement is processed through the ChileCompra system and requires government suppliers to have local representation. Product reputation and market position will be the influencing factors in the buying decision.

Importing into Chile is reportedly simple. Regulation of the Chilean healthcare market is administered by the Ministry of Health (MINSAL) and requires that medical devices that enter Chile possess proper certification in accordance with Article 101 of the Sanitary Code. Article 3 of these regulations states that parties intending to manufacture, import, distribute, or otherwise enter medical devices into the market must obtain proper certification of conformity by the Institute of Public Health (ISP). Likewise, medical devices must also receive a Certificate of Quality from the ISP before entering the market.

Trade Events

Commercial Service Health Care Technologies Trade Mission

Dates: April 30 –May 5, 2007

Website: http://www.export.gov/eac/show_detail_trade_events.asp?EventID=22054

ExpoSalud: Latin America's premier medical and dental equipment exhibition held ever two years.

Dates: June 15 -17, 2006; June 2008

Website: <http://www.exposalud.cl/exposalud/>

Resources & Key Contacts

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The Chilean Ministry of Health: www.minsal.cl

Public Health Institute: www.ispch.cl

Fondo Nacional de Salud (FONASA): www.fonasa.cl

Medical Professional Association: www.colegiomedico.cl

For More Information

The U.S. Commercial Service in Santiago, Chile can be contacted via e-mail at: Patricia.Jaramillo@mail.doc.gov; Phone: (+56 2) 330-3402; Fax: (+56 2) 330-3172 or visit our website: www.buyusa.gov/chile.

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